

#### PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE SAN FRANCISCO, CA 94102-3298 07/23/20 11:19 AM

July 23, 2020

Agenda ID #18654 Ratesetting

#### TO PARTIES OF RECORD IN APPLICATION 14-11-007 ET AL:

This is the proposed decision of Administrative Law Judge Ava Tran. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's August 27, 2020 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon Chief Administrative Law Judge

AES:gp2 Attachment

## PROPOSED DECISION

Agenda ID #18654 Ratesetting

## Decision PROPOSED DECISION OF ALJ TRAN (Mailed 7/23/2020)

#### BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of its Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets for Program Years 2015-2017.

Application 14-11-007

And Related Matters.

Application 14-11-009 Application 14-11-010 Application 14-11-011

DECISION ON SAN DIEGO GAS & ELECTRIC COMPANY'S PETITION FOR MODIFICATION OF COMMISSION DECISION 19-06-022

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## TABLE OF CONTENTS

Title		Page
	I ON SAN DIEGO GAS & ELECTRIC COMPANY'S PETITIO	
	ATION OF COMMISSION DECISION 19-06-022	
Summary.		2
U	ound	
	e Energy Savings Assistance Program	
1.2. Pro	ocedural History	3
1.2.1.		
1.2.2.	SDG&E Advice Letter 3417-E/2790-G	
1.2.3.	SDG&E's Petition for Modification	
1.2.4.	Public Advocates Office's Response	
1.2.5.	Rejection of SDG&E's Advice Letter 3417-E/2790-G	5
1.2.6.	SDG&E's Reply to Public Advocates Office Response	6
2. Issues	and Discussion	6
2.1. Pet	ition for Modification versus Application for Rehearing	7
2.1.1.	SDG&E's Position	7
2.1.2.	Cal Advocates' Response	8
2.1.3.	SDG&E's Reply to Cal Advocates' Response	9
2.1.4.	Discussion	10
2.2. Ter	n Percent Cap on Administrative Costs	10
2.2.1.	SDG&E's Position	11
2.2.2.	Cal Advocates' Response	14
2.2.3.	SDG&E's Reply to Cal Advocates' Response	16
2.2.4.	Discussion	16
2.3. Bri	dge Funding Interim Progress Milestone	21
2.3.1.	SDG&E's Position	22
2.3.2.	Cal Advocates' Response	23
2.3.3.	SDG&E's Reply to Cal Advocates' Response	24
2.3.4.	Discussion	24
2.4. Bri	dge Funding Retreatment Goal Calculation	24
2.4.1.	SDG&E's Position	24
2.4.2.	Cal Advocates' Response	25
2.4.3.	SDG&E's Reply to Cal Advocates' Response	25
2.4.4.	Discussion	25
2.5. Ext	tension of the April 15, 2021 Advice Letter to May 1, 2021	25
2.5.1.	SDG&E's Position	
2.5.2.	Cal Advocates' Response	
2.5.3.	•	

## A.14-11-007 et al. ALJ/ATR/gp2

## PROPOSED DECISION

2.5.4. Discussion	26
2.6. Bridge Funding Trigger Date and Program Repo	rting26
3. Conclusion	O
4. Comments on Proposed Decision	29
5. Assignment of Proceeding	
Findings of Fact	
Conclusions of Law	
ORDER	

# DECISION ON SAN DIEGO GAS & ELECTRIC COMPANY'S PETITION FOR MODIFICATION OF COMMISSION DECISION19-06-022

### **Summary**

This Decision modifies Commission Decision 19-06-022 for the four large Investor-Owned Utilities - Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and SoCal Gas Company. We modify the 10 percent cap on administrative costs for bridge funding for the Energy Savings Assistance Program, remove the November 16, 2020 trigger date that authorizes bridge funding for the period covering January 1, 2021 through June 30, 2021, direct the four large Investor-Owned Utilities to use unspent and uncommitted funds before new revenue collection to fund the authorized bridge funding, and direct the four large Investor-Owned Utilities to report these funding sources and amounts in their quarterly reporting to the Low Income Oversight Board. We also remove the November 16, 2020 trigger date that authorizes bridge funding for the period covering January 1, 2021 through June 30, 2021 for the California Alternate Rates for Energy program. All other the bridge funding criteria for this program remain unchanged. Finally, we close Application 14-11-007, Application 14-11-009, Application 14-11-010 and Application 14-11-011.

## 1. Background

## 1.1. The Energy Savings Assistance Program

The Energy Savings Assistance (ESA) Program was initially offered as an assistance program for low income customers directly from a few Investor-Owned Utilities in the 1980s. In 1990, the California legislature adopted and codified the ESA program with California Public Utilities (Pub. Util.) Code Section 2790(a) providing that:

The commission shall require an electrical or gas corporation to perform home weatherization services for low-income customers, as determined by the commission under Section 739, if the commission determines that a significant need for those services exists in the corporation's service territory, taking into consideration both the cost-effectiveness of the services and the policy of reducing the hardships facing low-income households.<sup>1</sup>

Public Utilities Code Section 382(e) further sets a statutory target of providing all eligible and willing customers the opportunity to participate in low-income energy efficiency programs by December 31, 2020.<sup>2</sup> Currently the ESA program provides no-cost home weatherization services and energy efficiency measures to help low-income households conserve energy, reduce energy costs and improve the overall health, comfort and safety of the home. The program also provides information and education to promote energy efficient practices in low-income communities.<sup>3</sup> Income eligibility for ESA program participation is set at 200 percent at or below Federal Poverty Guidelines.<sup>4</sup>

## 1.2. Procedural History

#### 1.2.1. Commission Decision 19-06-022

On June 28, 2019, Commission Decision (D.) 19-06-022 approved budgets and program updates for the ESA and California Alternate Rates for Energy (CARE) programs for program years (PYs) 2018-2020 for the four large Investor-Owned Utilities (IOUs)– Pacific Gas and Electric Company (PG&E),

<sup>&</sup>lt;sup>1</sup> Pub. Util. Code § 2790(a).

<sup>&</sup>lt;sup>2</sup> Pub. Util. Code § 382(e).

<sup>&</sup>lt;sup>3</sup> Decision (D.) 14-11-025.

<sup>&</sup>lt;sup>4</sup> Pub. Util. Code § 739.1(a).

Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and SoCal Gas Company (SoCalGas).<sup>5</sup> Decision 19-06-022 also directed the IOUs to file applications and budgets for the 2021-2026 ESA and CARE programs no sooner than November 4, 2019, and subsequently closed the proceeding.<sup>6</sup> In the instance that the Commission has not voted to approve the low income applications by November 16, 2020, D.19-06-022 provided that bridge funding for the ESA Program would be authorized for the period covering January 1, 2021 through June 30, 2021 subject to the IOUs meeting certain criteria, and subject to Energy Division's review and approval of a Tier 1 Advice Letter.<sup>7</sup> In the instance that the Commission has not voted to approve the low income applications by May 16, 2021, bridge funding would be authorized at the same budget level and retreatment goal as for the first six-month bridge, subject to the IOUs meeting certain interim progress milestones.<sup>8</sup>

#### 1.2.2. SDG&E Advice Letter 3417-E/2790-G

On August 12, 2019, SDG&E filed a Tier 1 Advice Letter requesting ESA bridge funding in the amount of \$11.8 million for the period covering January 1, 2021 through June 30, 2021 with a goal to retreat 5,775 households.<sup>9</sup> On September 12, 2019, the Commission's Energy Division suspended SDG&E's Advice Letter for 120 days to allow for additional staff review.<sup>10</sup>

<sup>&</sup>lt;sup>5</sup> D.19-06-022 at 2.

<sup>&</sup>lt;sup>6</sup> D.19-06-022 Ordering Paragraphs (OPs) 1 and 11 respectively.

<sup>&</sup>lt;sup>7</sup> D.19-06-022 at 12-13.

<sup>8</sup> *Id.* at 13.

<sup>&</sup>lt;sup>9</sup> SDG&E Advice Letter 3417-E/2790-G, filed August 12, 2019.

<sup>&</sup>lt;sup>10</sup> Energy Division's Advice Letter Suspension Notice of SDG&E (3417-E/2790-G), issued September 9, 2019.

#### 1.2.3. SDG&E's Petition for Modification

On December 17, 2019, SDG&E filed a petition for modification to D.19-06-022 (Petition) stating that D.19-06-022, as compared to the April 30, 2019 proposed decision, included material differences with respect to the ESA Program bridge funding calculations and requirements, and thus should have been filed as an alternate proposed decision. SDG&E also requested that D.19-06-022 be modified to: (1) remove the 10 percent limitation on administrative program costs; (2) remove the requirement that certain progress milestones be met as a condition to approve funding for the second half of 2021; (3) modify the timing of the April 15, 2021 Tier 1 Advice Letter to May 1, 2021; and (4) modify the retreatment goal calculation methodology to include budget for measures to be implemented in the second half of 2019 and in 2020.

## 1.2.4. Public Advocates Office's Response

On January 16, 2020, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submitted a response to SDG&E's Petition, arguing that SDG&E's Petition should be denied because it is procedurally and substantively flawed and that an administrative cost cap is reasonable.<sup>13</sup>

## 1.2.5. Rejection of SDG&E's Advice Letter 3417-E/2790-G

On January 17, 2020, the Energy Division issued a rejection of SDG&E's Advice Letter stating in part that SDG&E's proposed program administrative costs exceeded the allowed amount (10 percent of the overall proposed budget),

<sup>&</sup>lt;sup>11</sup> Petition. at 2, 7-8.

<sup>&</sup>lt;sup>12</sup> *Id.* at 1-2.

<sup>&</sup>lt;sup>13</sup> Cal Advocates Response to SDG&E Petition at 1.

and the proposed number of treatments were not split equally between quarter one and quarter two of 2021.<sup>14</sup>

On January 27, 2020, SDG&E filed a request for Commission review of the criteria pursuant to which the Advice Letter was rejected. Specifically, SDG&E sought review of whether Energy Division properly interpreted D.19-06-022 as stating that program administrative costs may not exceed 10 percent of the total bridge funding amount.<sup>15</sup>

# 1.2.6. SDG&E's Reply to Public Advocates Office Response

On January 17, 2020, SDG&E requested permission to file a reply to the Cal Advocates' response via an email to the assigned Administrative Law Judge (ALJ), Ava Tran, and included the service list for A.14-11-007 et al.

On January 22, 2020, ALJ Ava Tran granted SDG&E permission to reply to the Cal Advocates' response.

On January 27, 2020, SDG&E filed a reply to Cal Advocates' response to: (1) provide further justification for why the Petition was appropriate; (2) request that the Commission remove the 10 percent limitation on administrative program costs; and (3) withdraw all other remaining requests included in its original Petition.<sup>16</sup>

#### 2. Issues and Discussion

This decision resolves issues raised in SDG&E's Petition including the procedure for seeking such modifications and the 10 percent cap on

<sup>&</sup>lt;sup>14</sup> Energy Division's Non-Standard Disposition of SDG&E (3417-E/2790-G) Bridge Funding Advice Letter, issued January 16, 2020.

<sup>&</sup>lt;sup>15</sup> SDG&E Request for Commission Review of (3417-E/2790-G) Bridge Funding Advice Letter, issued January 27, 2020.

<sup>&</sup>lt;sup>16</sup> SDG&E Reply to Cal Advocates at p. 1-2

administrative costs in the ESA program for the bridge period. How the program has been modified, in response to the Petition and in response to comments and replies of the parties, is set forth below. In addition, other relevant issues, including the interim progress milestone as a condition for bridge funding, and the due date of the April 15, 2021 Advice Letter that were withdrawn, are discussed as well.

# 2.1. Petition for Modification versus Application for Rehearing 2.1.1. SDG&E's Position

In its Petition to Modify D.19-06-022, SDG&E stated that the decision contains material and substantive differences from the April 30, 2019 proposed decision. SDG&E asserts that these differences could potentially have significant adverse effects on SDG&E's ESA Program including but not limited to: (1) establishment of a "set aside" amount for administrative funding that has never before been imposed and that ignores the true cost of program operations; and (2) a formula for calculating retreatment goals that ignores program history and prior measure adjustments. SDG&E states that if D.19-06-022 had been filed as an alternate proposed decision, SDG&E and other interested parties would have been afforded the opportunity to comment on the substantive and material changes to the proposed decision pursuant to Rules 14.1(d) and 14.3(a). But since the proposed decision did not include any language regarding a cap on administrative costs, and no comments were made related to any such cap by any of the parties, SDG&E did not anticipate the issue and had no opportunity to

<sup>&</sup>lt;sup>17</sup> SDG&E Petition at 2

<sup>&</sup>lt;sup>18</sup> *Id.*; Rules of Practice and Procedure, Rule 14.1(d); Rules of Practice and Procedure, Rule 14.3(a).

respond to a potential cap.<sup>19</sup> SDG&E states that it commented on bridge funding with respect to the month-to-month approval process suggested in the proposed decision and that it would have commented on other factors had they been included.<sup>20</sup> SDG&E argues that there is no mention of administrative costs or a cap on such costs in the proposed decision, so imposing a 10 percent cap on administrative costs in the final decision is a material change.<sup>21</sup> Lastly, SDG&E notes that although Pub. Util. Code § 1701.3(j) states that "[t]he commission may, in issuing its decision, adopt, modify, or set aside the proposed decision or any part of the decision based on evidence in the record," there is no evidence in the record regarding an administrative cap.<sup>22</sup>

## 2.1.2. Cal Advocates' Response

Cal Advocates states that SDG&E's Petition is procedurally improper for two reasons: (1) the remedy for the legal errors SDG&E alleges should have been pursued through an application for rehearing (AFR) pursuant to the Commission's Rules of Practice and Procedure, Rule 16.1; and (2) SDG&E's Petition alleges no new or changed facts and circumstances.<sup>23</sup>

Cal Advocates argues that SDG&E should have filed an AFR for its due process claims as an AFR is the correct procedural device to challenge Commission decisions alleged to be "unlawful or erroneous."<sup>24</sup> The conditions

<sup>&</sup>lt;sup>19</sup> SDG&E Petition at 14-15.

<sup>&</sup>lt;sup>20</sup> *Id.* at 13.

<sup>&</sup>lt;sup>21</sup> *Id.* at 14.

<sup>&</sup>lt;sup>22</sup> Id. at 18.

<sup>&</sup>lt;sup>23</sup> Cal Advocates Response to SDG&E's Petition at 3.

<sup>&</sup>lt;sup>24</sup> *Id.* at 3-4.

on bridge funding for the process claims allege legal error and are appropriate for an AFR, not a petition for modification.<sup>25</sup>

Further, Cal Advocates states that SDG&E alleges no new or changed facts or circumstances to support a petition for modification.<sup>26</sup> Cal Advocates states that SDG&E was aware of the changes from the proposed decision to D.19-06-022 at the time D.19-06-022 was issued and should have timely filed an AFR to argue its due process claims at that time.<sup>27</sup> Additionally, SDG&E's argument that the Commission violated Pub. Util. Code Section 1701.3(j) also asserts legal error, which is ripe for an AFR, not a petition for modification.<sup>28</sup> Cal Advocates further states that since SDG&E failed to submit a timely request for rehearing, the Commission must reject SDG&E's untimely attempt to seek rehearing via an improper procedural vehicle.<sup>29</sup>

Lastly, Cal Advocates argues that SDG&E provides no new or changed facts or circumstances to support making any of the other recommendations in its Petition, and therefore all of SDG&E's proposed modifications should be denied.<sup>30</sup>

## 2.1.3. SDG&E's Reply to Cal Advocates' Response

In reply to Cal Advocates' response, SDG&E argues that the Petition does include new or changed facts. First, Energy Division's interpretation that D.19-06-022 includes a 10 percent cap on ESA Program administrative costs

<sup>&</sup>lt;sup>25</sup> *Id.* at 4.

<sup>&</sup>lt;sup>26</sup> *Id*.

<sup>&</sup>lt;sup>27</sup> Id.

<sup>&</sup>lt;sup>28</sup> *Id*.

<sup>&</sup>lt;sup>29</sup> *Id*.

<sup>&</sup>lt;sup>30</sup> *Id.* at 5.

should be considered as a new fact as it was brought up only after the issuance of the final decision.<sup>31</sup> Second, the details of what SDG&E's ESA Program would look like if a 10 percent administrative cost cap was imposed is also a new fact, because SDG&E's need to reduce or eliminate Marketing, Education, and Outreach activities, reduce or eliminate third-party activities, eliminate funding for statewide studies, decrease funding for inspections, significantly decrease labor funding for general administration of the ESA program, and/or significantly reduce IT funding was not known at the time D.19-06-022 was issued.<sup>32</sup>

#### 2.1.4. Discussion

Cal Advocates and SDG&E disagree about whether SDG&E's requested modification is a matter of legal error or merely a factual change to an issued decision. At this time, we will not address the argument of the appropriate procedural device that should have or could have been used.

Given the recent sharp rise in unemployment, the increase in a newly eligible CARE and low-income population, and the recent disruption and suspension to the ESA program due to the COVID-19 pandemic,<sup>33</sup> these low-income programs are more critical than ever. To avoid any further disruption to the program, and to provide continuity and certainty to the community, we will evaluate the proposed modifications based on their merits to ensure that funding for the ESA program will continue for the bridge period.

<sup>&</sup>lt;sup>31</sup> SDG&E Reply to Cal Advocates at 5.

<sup>&</sup>lt;sup>32</sup> *Id.* at 6.

<sup>&</sup>lt;sup>33</sup> CPUC Suspends Renewal Requirements for Low Income Energy and Telco Programs to Assist Customers During COVID-19 Epidemic, Press Release (Mar. 20, 2020).

## 2.2. Ten Percent Cap on Administrative Costs

In anticipation of the potential need for bridge funding, and to avoid uncertainty and potential program disruption, D.19-06-022 authorized bridge funding for the first six months of 2021 if the Commission has not yet voted on the IOUs' 2021-2026 ESA and CARE applications by November 16, 2020.<sup>34</sup> If the Commission has not voted to approve the 2021-2026 ESA programs and budget by that date, D.19-06-022 authorizes bridge funding for January 1, 2021 through June 30, 2021 for an amount up to 2020 budget levels as approved in the mid-cycle advice letter dispositions.<sup>35</sup> If the Commission has not voted to approve the 2021-2026 ESA programs and budget by May 16, 2021, and the IOUs have met certain interim progress milestones (*see* Section 2.3, below), bridge funding would be authorized for July 1, 2021- December 31, 2021 at the same budget level and retreatment goal as for the first six-months.<sup>36</sup>

Decision 19-06-022 required that the number of retreatments the IOUs must achieve with bridge funding be calculated using the actual average expenditures per retreatment from the first half of the 2019 program year, after setting aside 10 percent of the total ESA bridge budget for administrative program costs.<sup>37</sup> The IOUs were then required to submit a Tier 1 Advice Letter with calculations of the ESA bridge funding amount and retreatment goals for January 1, 2021- June 30, 2021 within 45 days of the issuance D.19-06-022.<sup>38</sup>

<sup>&</sup>lt;sup>34</sup> D.19-06-022 at 12.

<sup>&</sup>lt;sup>35</sup> *Id.* at 12-13.

<sup>&</sup>lt;sup>36</sup> *Id*.

<sup>&</sup>lt;sup>37</sup> *Id.* at 12.

<sup>&</sup>lt;sup>38</sup> *Id.* at 25.

#### 2.2.1. SDG&E's Position

SDG&E reads D.19-06-022 to have authorized bridge funding for an amount up to 2020 budget levels, as approved in mid-cycle advice letter dispositions<sup>39</sup> but does not interpret D.19-06-022 to require a 10 percent administrative budget cap.<sup>40</sup> SDG&E references D.19-06-022 Ordering Paragraph 2 which states:

If the [] (Commission) has not made a decision authorizing budgets for Program Year 2021 by November 16, 2020, the four large Investor-Owned Utilities Pacific Gas & Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall continue the previously authorized California Alternative Rates for Energy (CARE) and Energy Savings Assistance (ESA) activities and expend up to the 2020 budget level, as authorized in mid-cycle advice letter dispositions, for six months to a year, beginning in January 2021, until the Commission issues a final decision on the CARE and ESA post-2020 Program Applications.<sup>41</sup>

SDG&E states that discussion within D.19-06-022 about ESA Program funding does not include any mention of a set aside or cap on administrative costs for the ESA Program in any context, including whether to cap those costs at 10 percent.<sup>42</sup> Rather, D.19-06-022 only addresses the "10 percent administrative costs" in passing when mentioning that the "goal number of retreatments" should be established "using the actual average expenditures per retreatment

<sup>&</sup>lt;sup>39</sup> SDG&E Petition at 9.

<sup>&</sup>lt;sup>40</sup> *Id.* at 9 (citing D.19-06-022 at 25).

<sup>&</sup>lt;sup>41</sup> *Id.* at 9 (citing D.19-06-022 at 25).

<sup>&</sup>lt;sup>42</sup> *Id.* at 9.

from the first half of 2019 program year, after setting aside 10 percent of total ESA bridge budget for administrative program costs."<sup>43</sup>

SDG&E goes on to argue that it does not believe the Commission was attempting to implement a cap on its ESA Program administrative budget via D.19-06-022 because: (1) the Commission has never established a set aside percentage for "below the line" administrative costs in the low income proceeding;<sup>44</sup> (2) the decision does not establish a cap as one of the issues the Commission is seeking for the IOUs to address for the next program cycle, reiterating that there is very specific direction as to what should be addressed in the IOU applications and an administrative budget cap is not one of them;<sup>45</sup> (3) for PYs 2018 through 2020, SDG&E has historically been authorized annual ESA Program administrative costs comprising approximately 18 percent of the total ESA Program budget;<sup>46</sup> and (4) SDG&E does not believe the Commission intended to cut SDG&E's administrative costs nearly in half without giving SDG&E notice and an opportunity to be heard on what would be a material change to its program structure and administration.<sup>47</sup>

SDG&E states that arbitrarily implementing a 10 percent cap on administrative program costs would cut SDG&E's administrative budget almost in half and severely disrupt the current program.<sup>48</sup> SDG&E further details the impacts to the ESA program if it is forced to cap administrative costs at

<sup>&</sup>lt;sup>43</sup> *Id.* at 9-10.

<sup>&</sup>lt;sup>44</sup> *Id.* at 10.

<sup>45</sup> Id.

<sup>&</sup>lt;sup>46</sup> *Id*.

<sup>&</sup>lt;sup>47</sup> *Id.* at 10-11.

<sup>&</sup>lt;sup>48</sup> *Id.* at 11.

10 percent for the bridge period, resulting in disruption to the program and an inability to serve customers with retreatments during the bridge funding period.<sup>49</sup> These impacts include: (1) reduction or elimination of Marketing, Education, and Outreach activities; (2) reduction or elimination of third-party activities supporting follow-up to property owners and customers; (3) elimination of funding for statewide studies; (4) reduction in funding for inspections; (5) reduction in labor funding for general administration; and/or (6) reduction in information technology funding needed for system maintenance.<sup>50</sup>

Lastly, SDG&E argues that it is unfairly disadvantaged by the 10 percent administrative cost cap because it is not able to benefit from economies of scale that allow the larger IOUs to spread costs over a larger number of customers.<sup>51</sup> Because of its smaller territory size, SDG&E states that it is limited on the number of homes to be treated and the number of measures that can be installed, and therefore administrative expenses are a higher percentage of the total budget when compared to its counterparts.<sup>52</sup> SDG&E points to Marin Clean Energy (MCE) as an example. MCE has requested \$3.6 million in total administrative expenses for the ESA program over the 2021-2026 program cycle, which amounts to 35 percent of its total budget.<sup>53</sup> SDG&E states that MCE illustrates the unfair disadvantage that smaller IOUs would face if an arbitrary administrative budget

<sup>&</sup>lt;sup>49</sup> *Id.* at 12.

<sup>&</sup>lt;sup>50</sup> *Id.* at 11.

<sup>&</sup>lt;sup>51</sup> *Id.* at 12.

<sup>&</sup>lt;sup>52</sup> *Id*.

<sup>&</sup>lt;sup>53</sup> *Id.* (citing A.19-11-007, Testimony of Marin Clean Energy Regarding its Application for Approval of its Multifamily Whole Building Program Under the Energy Savings Assistance Program for 2021-2026 (November 4, 2019) at table 4 – Proposed LIFT 2.0 Budget, at 25).

cap is imposed.<sup>54</sup> Finally, SDG&E states that the Commission should consider an assessment of what qualifies as "administrative" expenses due to the differences in categorization of other programs, but as part of the Application for PYs 2021-2026 and not during the bridge funding period.<sup>55</sup>

### 2.2.2. Cal Advocates' Response

Cal Advocates filed a response to SDG&E's Petition recommending that if the Commission does not deny the Petition on the grounds that it is procedurally flawed, then it should be denied because SDG&E's substantive arguments are flawed and D.19-06-022's cap on administrative costs is reasonable.<sup>56</sup>

Cal Advocates argues that Commission-established caps on administrative budgets are common, particularly for demand-side management programs and that the 10 percent cap requirement is both necessary and reasonable.<sup>57</sup>
Cal Advocates points out that the Commission has set caps on programs before, such as the 10 percent cap on administrative costs for the ESA common area multi-family whole building program,<sup>58</sup> as well as the 10 percent cap on administrative costs for the mainstream energy efficiency programs.<sup>59</sup> A 10 percent cap on administrative expenses imposed on the ESA program during the bridge period is already greater than or equal to what the Commission has allowed in other programs such as the California Solar Initiative and

<sup>&</sup>lt;sup>54</sup> *Id.* at 13.

<sup>&</sup>lt;sup>55</sup> *Id.* at 16.

<sup>&</sup>lt;sup>56</sup> Cal Advocates Response to SDG&E Petition at 1.

<sup>&</sup>lt;sup>57</sup> *Id.* at 6.

<sup>&</sup>lt;sup>58</sup> *Id*.

<sup>&</sup>lt;sup>59</sup> D.09-09-047 at 58-64. and Ordering Paragraph (OP 13) established a cap on administrative costs of 10 percent of total energy efficiency budgets for the mainstream energy efficiency programs.

Self-Generation Incentive Programs, and is "on the upper end of the practices of other states that require utility or third party energy efficiency programs." <sup>60</sup>

Cal Advocates also argues that a 10 percent cap on administrative costs is not only necessary to protect ratepayers, but is reasonable and feasible, as demonstrated by the three other large IOUs through their own advice letter filings.<sup>61</sup> Although SDG&E maintains that a higher administrative budget is necessary to avoid a variety of negative effects on the program, it provides no justification or evidence to support such a claim.<sup>62</sup> Therefore, given that a 10 percent administrative cost cap is achievable for the other IOUs, and SDG&E has not clearly demonstrated why spending more than 10 percent of its budget on administration is reasonable, Cal Advocates recommends that the Commission reject SDG&E's claim that it cannot meet the 10 percent cap.<sup>63</sup>

Lastly, Cal Advocates states that if MCE's costs were accounted for in the same manner as the large IOUs, its administrative budget would only account for approximately 11 percent of its total budget, not 35 percent, disputing SDG&E's claim that IOUs with smaller service territories are unfairly disadvantaged by the 10 percent administrative cap.<sup>64</sup>

<sup>60</sup> *Id.* (citing D.09-09-047 at 60).

<sup>&</sup>lt;sup>61</sup> *Id.* at 7 (citing Pacific Gas and Electric Company Advice Letter 4131-G-A/5614-E-A, Southern California Edison Company Advice Letter 4053-E-A, and Southern California Gas Company Advice Letter 5501-A).

<sup>62</sup> *Id.* at 7.

<sup>&</sup>lt;sup>63</sup> *Id*.

<sup>&</sup>lt;sup>64</sup> *Id.* at p. 8 (citing Reply of Marin Clean Energy to Protests and responses in A.19-11-003 et al., at 5 (Dec. 23, 2019)).

## 2.2.3. SDG&E's Reply to Cal Advocates' Response

SDG&E states in its reply that an administrative cost cap in this proceeding is unreasonable, as such a cap has never been imposed before, and reiterates the request to remove the 10 percent limitation on administrative program costs.<sup>65</sup>

#### 2.2.4. Discussion

First, we disagree with SDG&E that the 10 percent cap on administrative costs was set arbitrarily. The 10 percent cap for administrative costs outlined in D.19-06-022 was set with the intention to limit the expenditures related to administrative costs of the program and to encourage the IOUs to better manage costs when targeting customers the IOUs had already reached (retreatments). It was derived based on total expenditures on administrative costs as a percentage of total program expenditures for the ESA program during PY 2018 through April 2019, which resulted in a statewide spending average of 10 percent.

Second, we agree with Cal Advocates that SDG&E errs in stating that a cap has never been imposed in the low income program as D.16-11-022 provides precedent of having imposed an administrative cost cap of 10 percent for the ESA Common Area Measure program.<sup>66</sup> We also agree with Cal Advocates that the Commission has commonly imposed caps on programs such as the mainstream energy efficiency program and the California Solar Initiative program to ensure the efficient and responsible use of ratepayer funds.<sup>67</sup> In fact, the administrative cost cap in the mainstream energy efficiency program is set consistently at 10 percent for all the large IOUs, including SDG&E.<sup>68</sup>

<sup>65</sup> SDG&E Reply to Cal Advocates at 7-8.

<sup>&</sup>lt;sup>66</sup> D.16-11-022 at 210.

<sup>&</sup>lt;sup>67</sup> Cal Advocates Response to SDG&E Petition at 6.

<sup>68</sup> D.16-11-022 at 210

Third, we agree with Cal Advocates that SDG&E fails to sufficiently explain why its administrative costs as a percentage of total budget is significantly higher than the other three large IOUs. We are not persuaded by SDG&E's claim that IOUs with smaller service territories are unfairly disadvantaged by the 10 percent administrative cap. Not only does the comparison to MCE's 2021-2026 proposed ESA budget illustrate the opposite, as Cal Advocates correctly points out, but SDG&E has been able to maintain their administrative costs in the mainstream energy efficiency program at 10 percent, comparable to the other large IOUs.<sup>69</sup>

With that said, we do recognize that although SDG&E has been able to maintain administrative costs at 10 percent within the mainstream energy efficiency program, the cost categorization between the mainstream energy efficiency program and the ESA program are inconsistent. If the administrative cost categories for the two programs were aligned more consistently, SDG&E's administrative costs in the mainstream energy efficiency program would account for approximately 10 to 17 percent of total expenditures. We also agree with SDG&E that the Commission has historically authorized generally higher administrative costs for SDG&E's ESA program as compared to the other large IOUs. SDG&E's number of households treated between 2015 and 2019 has been 22 percent of the average of the other three larger IOUs; however, their authorized administrative costs have been about 17 percent of total budget, compared to an average of about 10 percent for the other IOUs.

<sup>&</sup>lt;sup>69</sup> Energy Division's Approval of SDG&E (3429-E-A/2797-G-A) 2019 Energy Annual Budget Advice Letter (ABAL), issued December 20, 2019.

<sup>&</sup>lt;sup>70</sup> SDG&E Energy Efficiency Program Annual Reports for Program Years 2016-2019.

<sup>&</sup>lt;sup>71</sup> IOU ESA and CARE Annual Reports for Program Years 2015-2019.

In looking at the historical administrative costs for the program, SDG&E's administrative costs have ranged from 15 percent to 22 percent over the last five years,<sup>72</sup> with a significant increase to 22 percent (\$3.9 million) spent in PY 2019.<sup>73</sup>

Table 1					
ESA Administrative Costs as a Percentage of Total Program Expenditures					
IOU / Year	PG&E	SCE	SoCalGas	SDG&E	Statewide Average
2015	9%	10%	11%	18%	10%
2016	11%	10%	13%	15%	11%
2017	10%	8%	11%	18%	11%
2018	12%	10%	9%	17%	11%
2019	7%	10%	11%	22%	10%
2015- 2019 Average	10%	10%	11%	18%	10%

Source: IOUs ESA/CARE Annual Reports, 2015 through 2019.

For the January 1, 2021 through June 30, 2021 bridge period, SDG&E's administrative costs have further increased to \$2.9 million, or 24 percent of the total budget.<sup>74</sup> SDG&E has provided few details around the reasoning for the increase, other than claiming that the increase is required to maintain ESA program service levels.

We are not convinced by SDG&E's argument that a 24 percent spend on administrative costs is needed to implement the ESA program effectively and efficiently. We point to SDG&E's performance within the mainstream energy

<sup>&</sup>lt;sup>72</sup> SDG&E Program Expenditures, ESA and CARE Annual Reports for Program Years 2015-2019.

<sup>&</sup>lt;sup>73</sup> SDG&E was authorized to spend 17% of the program budget on administrative costs, or \$5.6 million, per Energy Division's Non-Standard Disposition of SDG&E's (3250-E/2688-G) Mid-Cycle Advice Letter, issued December 27, 2018.

<sup>&</sup>lt;sup>74</sup> SDG&E Advice Letter 3417-E/2790-G, (August 12, 2019).

efficiency program as well as the ESA common area multifamily program as examples of program effectiveness with a reasonable cost cap imposed. Yet, we also recognize that requiring SDG&E to swiftly adjust from a program operating at a 22 percent administrative budget in 2019 to a 10 percent administrative budget can be jarring and potentially disruptive to the program. Therefore, in an effort to ensure minimal disruption to the ESA program during this bridge period, ensure funding availability, and facilitate the eventual transition to a more reasonable administrative cost structure, we modify the bridge funding criteria of a 10 percent cap for administrative program costs. Administrative expenses for the ESA program during the 2021 bridge period will be limited to either 10 percent of total program costs, or the IOU's historical five-year average spend on administrative costs as a percentage of total program costs, whichever is greater. The new administrative cost cap is underlined and asterisked below for each IOU.

Table 2				
Administrative Costs as a Percentage of Total Program Budget				
	PG&E	SCE	SoCalGas	SDG&E
5-year Average	10%	10%	11%	18%
10%	10%	10%	10%	10%
Approved Cap	<u>*10%</u>	<u>*10%</u>	<u>*11%</u>	<u>*18%</u>

As a result, the goal number of retreatments the IOUs must achieve with bridge funding shall then be calculated using the actual average expenditures per retreatment from the first half of 2019 program year, after setting aside no more than each IOU's respective approved cap for administrative program costs.

Due to these modifications, SDG&E shall submit a new Tier 1 Advice Letter within 45 days after issuance of this decision with calculations of the ESA bridge funding amount and retreatment goal for the January 1, 2021 through June 30, 2021 bridge period per the bridge funding and retreatment goal calculation requirements and criteria stated above.<sup>75</sup> SDG&E's proposed administrative costs must not exceed the 18 percent cap set above.

Given that SoCalGas' administrative cost cap has also been modified, SoCalGas may choose to submit a new Tier 1 Advice Letter to supersede AL 5501-G-A if SoCalGas seeks to increase the administrative costs above the previously approved 10 percent. The new Tier 1 Advice Letter shall be submitted within 45 days after issuance of this decision with calculations of the ESA bridge funding amount and retreatment goal for the January 1, 2021- June 30, 2021 bridge period per the bridge funding and retreatment goal calculation requirements and criteria stated above. SoCalGas' proposed administrative costs must not exceed the 11 percent cap set above. SoCalGas is not required to submit a new Advice Letter if it is not seeking an increase in the administrative costs previously approved in AL 5501-G-A.

The Energy Division will perform a ministerial review of the advice letter and approve if the following criteria are met: 1) the ESA bridge budget is at or below 2020 budget levels, as approved in mid-cycle advice letter dispositions, and 2) the IOU retreatment goal was derived using the methodology stated above.

<sup>&</sup>lt;sup>75</sup> In light of SDG&E's duplicative filing for relief on the same subject matter in its Petition and request for review of Energy Division's rejection of Advice Letter 3417-E/2790-G, the Commission finds this decision remedies the substantive concerns raised in both filings. While General Order 96-B requires industry staff to prepare a resolution in response to a request for review of an advice letter, such an undertaking would be duplicative with the process provided by this decision in response to the Petition related to the same subject matter. As such, SDG&E's request for review is denied.

## 2.3. Bridge Funding Interim Progress Milestone

As a condition of bridge funding, D.19-06-022 required the IOUs to treat at least half of the bridge retreatment goal during the January 1, 2021 to March 31, 2021 period while retaining enough budget to treat the remaining household goal by June 30, 2021.<sup>76</sup> If the Commission has not voted to approve the 2021-2026 ESA programs and budget by May 16, 2021, and the large IOUs have met the interim progress milestone, bridge funding would be authorized for July 1, 2021- December 31, 2021 at the same budget level and retreatment goal as for the first six-month bridge. 77 Decision 19-06-022 also required the IOUs to submit a Tier 1 Advice Letter by April 15, 2021 documenting retreatments and budgets associated with the interim progress milestone and overall bridge budget and retreatment goal, as well as progress on spending unspent funds.<sup>78</sup> Energy Division would reject the Advice Letter if the IOU failed to demonstrate that it: (1) had met the interim progress milestone with ESA bridge funds; or (2) the fraction of remaining bridge budget for retreatments (after setting aside administrative costs) was less than the fraction of remaining retreatments necessary to meet the bridge retreatment goal.<sup>79</sup>

#### 2.3.1. SDG&E's Position

SDG&E states that the interim milestone, and the threatened loss of bridge funding if the interim milestone is not met are substantive changes to an ordering paragraph pursuant to Pub. Util. Code § 311 and Rule 14.1(d), and undermines the Commission's purpose to "avoid uncertainty and potential

<sup>&</sup>lt;sup>76</sup> D.19-06-022 at 12.

<sup>&</sup>lt;sup>77</sup> *Id.* at 12-13.

<sup>&</sup>lt;sup>78</sup> *Id.* at 13.

<sup>&</sup>lt;sup>79</sup> *Id*.

program disruption, and eliminate the need for subsequent bridge funding decisions."<sup>80</sup> SDG&E states that it has previously administered its program around meeting annual, not quarterly, targets, and therefore organizing the ESA Program around a quarterly homes retreated goal is a new directive that has not been previously established or tested in the low income proceeding.<sup>81</sup>

SDG&E further claims that the cyclicality in the ESA Program results in fewer homes treated or retreated in the first quarter than the other three quarters, and that setting the treatment milestone as a condition for bridge funding creates uncertainty for both SDG&E and its contractors. Accordingly, SDG&E requests that the requirement of meeting the interim milestone as a condition for funding for the second half of 2021 be removed. SDG&E would still file an advice letter to establish whether it has met its interim progress milestone as a means of providing the accountability the Commission is seeking, but without threatening the certainty of ESA Program funding. Alternatively, if the Commission determines that an interim progress milestone should be a condition for bridge funding for the second half of 2021, the milestone should be determined on historic trend percentages.

## 2.3.2. Cal Advocates' Response

Cal Advocates argues that this request should be denied because SDG&E provides no new or changed facts or circumstances to support making changes

<sup>&</sup>lt;sup>80</sup> SDG&E Petition at p. 18 (citing D.19-06-022 at p. 12).

<sup>81</sup> *Id.* at 18-19.

<sup>82</sup> Id. at 18.

<sup>&</sup>lt;sup>83</sup> *Id*.

<sup>84</sup> *Id.* at 18-19.

<sup>85</sup> Id. at 19-20.

to the interim progress milestone.<sup>86</sup> Although SDG&E relies on historical data from 2018 regarding cyclicality of its ESA program to support its proposed changes to the interim progress milestone,<sup>87</sup> it fails to explain why the 2018 data constitutes new or changed facts or circumstances given the fact that D.19-06-022 was issued on June 28, 2019.<sup>88</sup> As such, the 2018 budgetary data that SDG&E relies on was already part of the record at the time D.19-06-022 was issued, and cannot be considered new or changed facts or circumstances.

### 2.3.3. SDG&E's Reply to Cal Advocates' Response

SDG&E has withdrawn this request in its reply.89

#### 2.3.4. Discussion

This issue has been withdrawn by SDG&E and is therefore moot.

## 2.4. Bridge Funding Retreatment Goal Calculation

Decision 19-06-022 required that the number of retreatments the IOUs must achieve with bridge funding would be calculated using the actual average expenditures per retreatment from the first half of the 2019 program year, after setting aside 10 percent of total ESA bridge budget for administrative program costs.<sup>90</sup>

#### 2.4.1. SDG&E's Position

SDG&E is requesting that this input to the retreatment goals calculation be modified to include expenditures for new measures that the Commission approved for implementation in the second half of 2019 that will continue into

<sup>&</sup>lt;sup>86</sup> Cal Advocates Response to SDG&E Petition at 5.

<sup>87</sup> SDG&E Petition at 18.

<sup>&</sup>lt;sup>88</sup> Cal Advocates Response to SDG&E Petition at 5.

<sup>89</sup> SDG&E Reply to Cal Advocates at 2.

<sup>90</sup> D.19-06-022 at 12.

the bridge period.<sup>91</sup> SDG&E states that with this inclusion, the retreatment goals calculation will be more representative of the true costs per retreatment in PY 2021.<sup>92</sup>

## 2.4.2. Cal Advocates' Response

Cal Advocates argues that this request should be denied because SDG&E provides no new or changed facts or circumstances to support making this recommendation.<sup>93</sup>

## 2.4.3. SDG&E's Reply to Cal Advocates' Response

SDG&E has withdrawn this request in its reply.94

#### 2.4.4. Discussion

This issue has been withdrawn by SDG&E and is therefore moot.

However, we note that this decision's modification to the caps on administrative costs does affect the retreatment goal calculation. The new goal number of retreatments the IOUs must achieve with bridge funding shall now be calculated using the actual average expenditures per retreatment from the first half of 2019 program year, after setting aside no more than each IOU's respective approved cap for administrative program costs, (rather than the original 10 percent).

## 2.5. Extension of the April 15, 2021 Advice Letter to May 1, 2021

Decision 19-06-022 required the IOUs to submit a Tier 1 Advice Letter by April 15, 2021 documenting retreatments and budgets associated with the

<sup>91</sup> SDG&E Petition at 20.

<sup>&</sup>lt;sup>92</sup> *Id*.

<sup>&</sup>lt;sup>93</sup> Cal Advocates Response to SDG&E Petition at 5.

<sup>&</sup>lt;sup>94</sup> SDG&E Reply to Cal Advocates at 2.

interim progress milestone and overall bridge budget and retreatment goal, as well as progress on spending unspent funds.<sup>95</sup>

#### 2.5.1. SDG&E's Position

SDG&E is requesting to extend the April 15, 2021 deadline to May 1, 2021 since it may not have all the necessary information for the interim progress milestone advice letter to be filed by April 15.96 SDG&E states that the additional time will allow it to leverage information from monthly reports when drafting the advice letter, thus adding efficiencies and more accurate reporting.97

## 2.5.2. Cal Advocates' Response

Cal Advocates points out that SDG&E's request to extend the April 15 deadline is unnecessary and inappropriate because SDG&E can request an extension for filing an advice letter under Rule 16.6 of the Commission's Rules of Practice and Procedure rather than through a petition to modify.98

## 2.5.3. SDG&E's Reply to Cal Advocates' Response

SDG&E has withdrawn this request in its reply.99

#### 2.5.4. Discussion

This issue has been withdrawn by SDG&E and is therefore moot.

## 2.6. Bridge Funding Trigger Date and Program Reporting

Decision 19-06-022 authorized spending in a bridge period in the instance that the Commission has not voted to approve the low-income applications by November 16, 2020. However, to facilitate additional stakeholder discussion and

<sup>&</sup>lt;sup>95</sup> D.19-06-022 at 13.

<sup>&</sup>lt;sup>96</sup> SDG&E Petition at 19

<sup>&</sup>lt;sup>97</sup> *Id.* at 19-20.

<sup>&</sup>lt;sup>98</sup> Cal Advocates Response to SDG&E Petition at p. 5; Rules of Practice and Procedure, Rule 16.6.

<sup>&</sup>lt;sup>99</sup> SDG&E Reply to Cal Advocates at 2.

record development of the IOUs' 2021-2026 ESA and CARE applications, the proceeding timeline was revised via a separate ruling such that a decision is not likely until 2021.<sup>100</sup>

Therefore, we remove the bridge funding trigger date of November 16, 2020, and instead through this decision authorize ESA and CARE program bridge funding for the bridge period starting on January 1, 2021 through June 30, 2021. The certainty of authorized spending for this bridge period also supports better alignment of the authorized spending period with the contract extensions of ESA contractors that accepted an advance payment per Commission Resolution E-5074. <sup>101</sup> The bridge funding trigger date of May 16, 2021 for funding covering July 1, 2021- December 31, 2021 remains unchanged.

We also reaffirm the guidance in D.19-06-022 directing the IOUs to identify what portion of the total bridge budget for the ESA program can be accommodated from unspent funds, if any, differentiating between unspent funds from PYs 2009-2016 and PYs 2017-2020, and what portion of the bridge funding budget will require new revenue collection. This assessment should also take into consideration any ESA contractor advance payments.

Also, to reduce further impacts on ratepayers, the IOUs shall prioritize the use of unspent and uncommitted funds before collecting any new revenues for the bridge period. The IOUs shall report all bridge funding activity, including identifying the specific funding amounts and sources (unspent and

Commission ALJ Tran Ruling as part of Application Proceeding A.19-11-003, issued May 11, 2020.

Resolution E-5074 Ratifies the Executive Director's letters to direct Investor Owned Utilities to offer a 60-day advance payment to Energy Savings Assistance Contractors, issued June 5, 2020

<sup>&</sup>lt;sup>102</sup> D.19-06-022 at 13.

uncommitted, unspent and committed, new collections, other), in their ongoing Low-Income Oversight Board quarterly updates.

#### 3. Conclusion

As the IOUs near accomplishing their 2020 goal of offering every willing and eligible low income household the opportunity to participate in the ESA program, the Commission is determining how best to redesign the program for 2021 and beyond in the current consolidated A.19-11-003 proceeding. In considering a program for 2021 and beyond, we will examine creative and innovative approaches that yield greater savings and benefits to the low-income household while being responsible with ratepayer funds. In that spirit, this decision encourages responsible spending with an eye to cost containment while avoiding program disruption. A new administrative cost cap based on historical administrative costs is a reasonable compromise between SDG&E's request to remove the administrative cost cap altogether, and D.19-06-022's original intent to control and align the program's administrative expenses. SDG&E will be able to continue to implement the program in the bridge period without having to make the significant reductions in program activity that it claims would be needed if the original 10 percent cap was imposed, while the Commission can continue to monitor program expenses and ensure responsible use of ratepayer funds. The removal of the first bridge funding trigger date for the ESA and CARE programs supports alignment of the authorized spending period with the contract extensions of ESA contractors that accepted an advance payment. And lastly, the prioritization of the use of unspent and uncommitted funds over new revenue collection to fund the bridge period activities ensure responsible use of ratepayer funds.

## 4. Comments on Proposed Decision

The proposed decision of ALJ Tran in this matter was mailed to the parties
in accordance with Section 311 of the Public Utilities Code and comments were
allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.
Comments were filed on, and reply comments were filed on
by

### 5. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Ava Tran is the assigned Administrative Law Judge in this proceeding.

## **Findings of Fact**

- 1. Decision 19-06-022 authorizes bridge funding, subject to the four large Investor-Owned Utilities meeting certain criteria, for the period covering January 1, 2021 through June 30, 2021 in the instance that the Commission has not voted to approve the low-income applications by November 16, 2020.
- 2. Decision 19-06-022 authorizes bridge funding, subject to the four large Investor-Owned Utilities meeting an interim milestone, for the period covering July 1, 2021 through December 31, 2021 in the instance that the Commission has not voted to approve the low-income applications by May 16, 2021.
- 3. Decision 19-06-022 requires that the number of retreatments the four large Investor-Owned Utilities must achieve with bridge funding be calculated using the actual average expenditures per retreatment from the first half of the 2019 program year, after setting aside ten percent of the total ESA bridge budget for administrative program costs.
- 4. Decision 19-06-022 requires the four large Investor-Owned Utilities to meet the interim milestone of treating at least half of the bridge retreatment goal during the January 1, 2021-March 31, 2021 period while retaining enough budget

to treat the remaining household goal by June 30, 2021 as a condition of extending bridge funding through the end of 2021.

- 5. Decision 19-06-022 requires the four large Investor-Owned Utilities to submit a Tier 1 Advice Letter by April 15, 2021 documenting retreatments and budgets associated with the interim progress milestone and overall bridge budget and retreatment goal, as well as progress on spending unspent funds.
- **6.** On August 12, 2019, San Diego Gas & Electric filed a Tier 1 Advice Letter requesting ESA bridge funding in the amount of \$11.8 million for the period covering January 1, 2021 through June 30, 2021 with a goal to retreat 5,775 households.
- 7. On January 17, 2020, Energy Division issued a rejection of San Diego Gas & Electric's Advice Letter stating in part that the proposed program administrative costs exceeded the allowed amount, and the proposed number of treatments were not split equally between quarter one and quarter two of 2021.
- 8. On January 27, 2020, San Diego Gas & Electric filed a request for Commission review of the criteria pursuant to which the Advice Letter was rejected.
- 9. The Commission has historically established caps on the administrative budgets of programs, particularly for demand-side management programs.
- 10. San Diego Gas and Electric's administrative costs in the Energy Savings Assistance program has historically ranged from 15 percent to 22 percent of total program costs from 2015 to 2019.
- 11. Resolution E-5074 authorized the Energy Savings Assistance program contractors who have received an advance payment as a result of the COVID-19 pandemic to pay back the advance payment no later than December 31, 2021, concurrent with the end of the bridge period.

#### **Conclusions of Law**

- 1. A cap on administrative costs is necessary to protect ratepayers and ensure efficient use of program funds.
- 2. The administrative cap set in Decision 19-06-022 was intended to limit the expenditures on administrative costs of the Energy Savings Assistance program and to encourage the four large Investor-Owned Utilities to better manage costs when targeting customers the utility had already reached (retreatments).
- 3. Requiring San Diego Gas and Electric to swiftly adjust from a program operating at a 22 percent administrative budget in 2019 to a 10 percent administrative budget in 2021 may be potentially disruptive to the program.
- 4. Requiring San Diego Gas and Electric to limit their administrative budget in 2021 may result in a: (a) reduction of Marketing, Education, and Outreach activities; (b) reduction of third-party activities; (c) elimination of funding for statewide studies; (d) reduction in funding for inspections; (e) reduction in labor funding for general administration; and/or (f) reduction in information technology funding.
- 5. Limiting the administrative expenses for the Energy Savings Assistance program during the 2021 bridge period to either 10 percent of total program costs, or the utility's historical five-year average spend on administrative costs as a percentage of total program costs, whichever is greater, is reasonable.
- 6. Removing the November 16, 2020 trigger date for the ESA and CARE bridge funding bridge period starting January 1, 2021 and ending June 30, 2021 will support better alignment of the authorized spending period and the contract extensions for ESA contractors and should be approved.
- 7. The modification to the caps on administrative costs changes the retreatment goal calculation for the ESA program.

#### ORDER

#### IT IS ORDERED that:

- 1. The administrative expenses for the Energy Savings Assistance program during the 2021 bridge period will be limited to either 10 percent of total program costs, or the utility's historical five-year average spend on administrative costs as a percentage of total program costs, whichever is greater.
- 2. The new administrative cost cap for the Energy Savings Assistance program for each utility is:

Administrative Cost Cap as a Percentage of Total Program Budget			
Pacific Gas &	Southern	Southern	San Diego
Electric	California Edison	California Gas	Gas & Electric
10%	10%	11%	18%

- 3. The new goal number of retreatments the utilities must achieve with bridge funding shall be calculated using the actual average expenditures per retreatment from the first half of 2019 program year, after setting aside no more than each utility's respective approved cap for administrative program costs.
- 4. The November 16, 2020 trigger date authorizing bridge funding for the period covering January 1, 2021- June 30, 2021 for the Energy Savings Assistance and California Alternate Rates for Energy programs is removed.
- 5. Bridge funding amounts for the period covering January 1, 2021 through June 30, 2021 for the Energy Savings Assistance and California Alternate Rates for Energy programs will be approved by Energy Division per each utility's Advice Letter.
- 6. San Diego Gas & Electric Company must submit a new Tier 1 Advice Letter 45 days after issuance of this decision with calculations of the Energy Savings Assistance bridge funding amount and retreatment goal for the

January 1, 2021- June 30, 2021 bridge period per the bridge funding and retreatment goal calculation requirements and criteria as discussed herein.

- 7. Southern California Gas may choose to submit a new Tier 1 Advice Letter, to supersede Advice Letter 5501-G-A, 45 days after issuance of this decision with calculations of the Energy Savings Assistance bridge funding amount and retreatment goal for the January 1, 2021- June 30, 2021 bridge period per the bridge funding and retreatment goal calculation requirements and criteria as discussed herein.
- 8. The Commission's Energy Division will perform a ministerial review of the Advice Letters and approve if the following criteria are met: 1) the ESA bridge budget is at or below 2020 budget levels, as approved in mid-cycle advice letter dispositions, and 2) the Investor-Owned Utilities' retreatment goal was derived using the methodology stated in ordering paragraph 3.
- 9. Pacific Gas & Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall prioritize the use of unspent and uncommitted funds before any new revenue collection to fund bridge period activities.
- 10. Pacific Gas & Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall report all bridge funding activity, including identifying the specific funding amounts and sources (unspent and uncommitted, unspent and committed, new collections, other), in their ongoing Low-Income Oversight Board quarterly updates.
- 11. Except for the changes in these ordering paragraphs, all other requirements and criteria for bridge funding authorization as stated in

Decision 19-06-022, including for the California Alternate Rates for Energy program, remains unchanged.

12. Applications (A.) 14-11-007, A.14-11-009, A.14-11-010, and A.14-11-011 are closed.

This order is effective today	7.
Dated	. 2020 at San Francisco, California